

VZCZCXYZ0005
PP RUEHWEB

DE RUEHUL #2634/01 2430106
ZNR UUUUU ZZH
P 310106Z AUG 07
FM AMEMBASSY SEOUL
TO RUEHC/SECSTATE WASHDC PRIORITY 6321
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 3051
RUEHGP/AMEMBASSY SINGAPORE PRIORITY 5754
RUEHKO/AMEMBASSY TOKYO PRIORITY 3186
RUEHHK/AMCONSUL HONG KONG PRIORITY 3318
RUEHRC/DEPT OF AGRICULTURE WASHDC PRIORITY
RUCPDO/USDOC WASHDC PRIORITY 5733
RHEHNSC/NSC WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

UNCLAS SEOUL 002634

SIPDIS

SENSITIVE
SIPDIS

PASS USTR FOR CUTLER, AUGEROT, AND ENRIGHT
STATE FOR EAP/K AND EEB
NSC FOR TONG

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [EAGR](#) [PREL](#) [KS](#)

SUBJECT: FTA: TRADE MINISTER KIM DISCUSSES BEEF, RICE, AND
AUTOS WITH CONGRESSMAN POMEROY

1. (SBU) SUMMARY: On August 29, newly appointed Trade Minister Kim Jong-hoon reviewed major KORUS-FTA trade issues with Congressman Earl Pomeroy (D-ND) and the Ambassador. TM Kim said the FTA remained on track for submission to the National Assembly in early September -- and President Roh was strongly pushing for its passage before he departed office in February. Stressing Congress was deeply engaged in addressing Iraq-related issues, Congressman Pomeroy indicated Congress is likely to defer FTA action for some time. However, he spotlighted U.S. beef, rice, and autos as key concerns that need to be addressed to foster a more receptive Congressional climate. TM Kim responded that (1) the bone-in beef import protocol would likely be wrapped up in October, thereby permitting the full resumption of U.S. beef imports; (2) rice, although excluded from the FTA, could be revisited once the current WTO rice quota arrangement expired in 2014; and (3) the U.S. auto sector's objections to the ten-year phase-out of the light-truck tariff should be balanced against overall U.S. gains from the agreement, the ROKG's unprecedented steps to meet U.S. demands on auto tax and standards issues (including the dilution of emissions standards), and the need for U.S. companies to address their own internal competitiveness issues. Pomeroy reiterated the importance of resolving the U.S. beef issue soon. "Beef needs to move," Pomeroy said, not only to enhance Korea's reputation as a reliable trading partner but to bring down high prices for its consumers. END SUMMARY.

HIS THIRD WEEK IN OFFICE

2. (SBU) In his third week in the job, Trade Minister (and former FTA Chief Negotiator) Kim Jong-hoon welcomed Congressman Pomeroy's 8/29 visit just as the KORUS-FTA was facing its critical "last hurdle," the ratification phase. Referring to a Presidential meeting the day before, Kim said the ROKG would formally introduce the FTA to the National Assembly in early September. He reaffirmed President Roh's strong commitment to seize every opportunity to pass the KORUS-FTA before the end of 2007 and, by the latest, before Roh left office in late February. In response, Congressman Pomeroy said the USG is currently wrestling with critical Iraq-related issues that would likely defer Congressional action on the FTA for some time. However, Congress also needed a strong ROKG signal that Korea will deal fairly on trade issues. He spotlighted beef, rice and autos as major

issues that need to be fully addressed to foster a more favorable climate for Congressional action.

U.S.BEEF

13. (SBU) Pomeroy turned first to recent U.S. packing-plant mistakes (a total of six boxes out of thousands) that had involved bones or bone fragments in their shipments to Korea.

He noted these mispacks had entailed the unfortunate consequence of slowing down the ROKG's consideration of a new bone-in import protocol and thus disappointed many American (including North Dakotan) farm families who relied on beef exports for their livelihood. While acknowledging the mispacks should have consequences for the packing plants, Pomeroy stressed these mistakes were not life-threatening since the OIE had determined on May 22 that U.S. beef was safe. As a result, it was critical for the ROKG not to allow these mistakes to defer fulfilling their commitment to revise the existing beef import protocol. Failure to move soon to resume the flow of U.S. bone-in beef into Korea would be widely perceived by the American public and Congress as a sign that the ROKG would not abide by its trade commitments and internationally accepted standards.

14. (SBU) TM Kim responded that the ROKG stood by President Roh's March commitment to President Bush to follow the OIE's rulings and negotiate a new protocol that would allow bone-in beef into Korea as soon as possible. He indicated that the ROKG was currently canvassing consumer groups as required under a eight-step risk-assessment process and remained on track to begin negotiations on a new import protocol after the new Agriculture Minister took office September 5. Kim admitted the mispacks had fueled public concerns over the U.S. commitment to abide by the ROKG's import protocol, just

as the U.S. public had its own perceptions of Korean sincerity. However, Kim predicted the new bone-in import protocol would be in place by October and U.S. beef shipments flowing smoothly thereafter.

RICE

15. (SBU) Turning to rice, Pomeroy said this issue had been left out of the FTA. This omission had disappointed major rice growers in California and worked against the perception that the KORUS-FTA was a balanced, comprehensive agreement. Kim replied that Korea's domestic political climate was highly protective of its small, rapidly aging farm population (only six percent of its total population, producing only three percent of GDP). Widely viewed as deserving "affirmative action," rice farmers had attracted enough public support to make the issue untouchable at this time. However, Kim indicated that the ROKG would revisit the rice issue once the 2004 WTO arrangement on rice quotas expired in 2014.

AUTOS

16. (SBU) Congressman Pomeroy pointed to the FTA's ten-year elimination of light-truck tariffs as being as problematic for U.S. constituencies as rice was for Korean ones. He invited Kim's comment. Kim replied that U.S. concerns were understandable in light of the current imbalance in the U.S.-Korea auto trade. However, the tariff needed to be put into the broader context of the "unprecedented" ROKG commitments embodied in the agreement. The ROKG had committed to lower its higher auto tariffs, to simplify its auto tax codes, and to amend its auto standards (including the dilution of emission standards that undercut Korea's clean environment goals). The ROKG sold these measures to its own constituencies based on the premise that all auto trade would be encompassed under the FTA. On balance, the measures created "a lot of leeway" for U.S. auto sales to Korea on a fair playing field. Kim added that if Congress had any doubt about the ROKG's long-term commitment, it should take note of the FTA's snap-back provision. This measure called for restoring previous U.S. tariff levels, in the event an accelerated dispute settlement panel found the

ROKG had set up a new non-tariff trade barrier.

¶7. (SBU) In closing, Kim indicated U.S. auto sector concerns stemmed largely from their own internal competitiveness issues rather than any issues "caused by Korea." He therefore hoped the U.S. auto sector's objections would be balanced against overall U.S. gains in the auto provisions and other parts of the FTA.

CONCLUSION

¶8. Congressman Pomeroy thanked TM Kim for his assessment and closed by underscoring the importance of fully resuming U.S. beef imports into Korea soon, so that U.S. agricultural interests could focus on the benefits of the FTA. "Beef needs to move," he said, not only to enhance Korea's reputation as a reliable trading partner but to bring down high prices for its own consumers.

¶9. (U) Congressman Pomeroy reviewed this message.
VERSHBOW